



A Touchstone Energy® Cooperative 

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## Before the Kansas Senate Committee on Utilities

March 15, 2017

### *Testimony of Kansas Electric Cooperatives, Inc., Midwest Energy, Inc. and the Kansas Cooperative Council*

#### **Opposition to Senate Bill 209**

*Kansas Electric Cooperatives, Inc., (KEC) serves 28 distribution electric cooperatives and three generation and transmission electric cooperatives, providing electricity to more than 200,000 Kansas households and spanning across approximately 80 percent of Kansas. For more information, visit [www.kec.coop](http://www.kec.coop).*

Chairman Olson and members of the Senate Committee on Utilities:

I am Kim Christiansen, Director of Government Relations and Legal Counsel for Kansas Electric Cooperatives, Inc. I appear before you to express our opposition to SB 209 for Midwest Energy, Inc., Kansas Cooperative Council and the members of our statewide association.

SB 209 seems innocent and helpful at a very primary level. How can anyone object to providing more information on an electric bill? However, there are forces behind the drive for SB 209 that must be examined.

There is a very simple question that must be asked: **What is the need for this bill? The answer? As far as we can tell, there is none.**

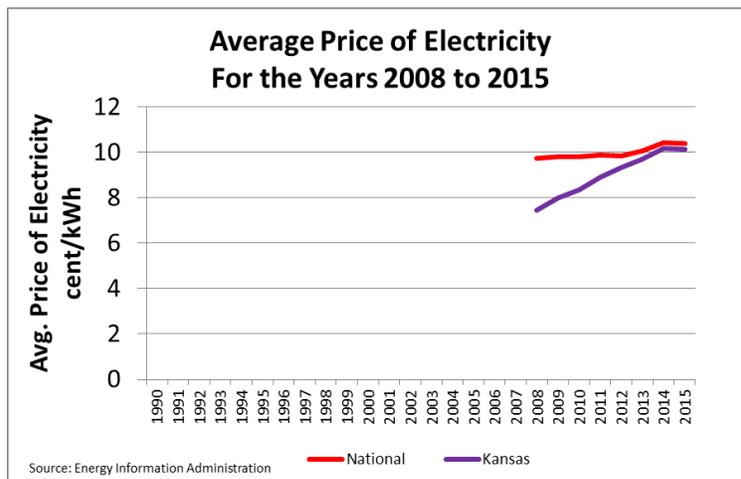
Perhaps this simple question is best answered with a series of underlying questions:

- *Are many people asking for this information?* In our experience, **NO**. Our member cooperatives will provide additional bill detail on request but other than the author of SB 209 and a few others, the current bills our cooperatives send provide information that our member-owners have asked for in the existing market construct.
- *In the cooperative world, are bills changing to show added information?* **YES**, and, as our market and the needs of members' change, so will our billing. Our bills have continued to evolve over the past decade to reflect the information in which our member owners have requested or needed. See the samples attached to this testimony. One is a copy of a 1992 bill and one is a current version. The information we provide our member-owners has increased as technology allows and requests are made.
- *Is the bill really designed to make electricity more transparent?* **MAYBE**, but the truth is the proponents are advocating MORE GOVERNMENT and BIG GOVERNMENT vs. local control. Government doesn't dictate what your grocery receipt, bank statement or

hotel bill looks like. In the cooperative world, our member–owners elect and have access to our trustees and directors. In the cooperative world, local control allows us to address the needs and desires of our members and if they want more detailed billing, we will continue to respond as we have in the past.

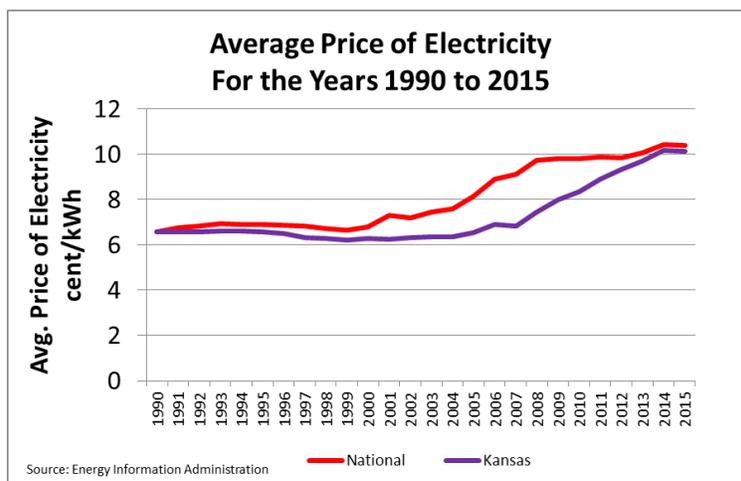
- *Is it better to have a state mandate or local control?* **LOCAL CONTROL.** The cooperative model functions on a representative democracy. Our customers are our member-owners who can vote for representation, ask questions and, at the level they desire, be involved. Our directors live within the cooperative boundaries, and are accessible at the grocery store, post office and other areas. This bill would be a state mandate on what is better left to local control—and the will of our local member-owners.
- *Is this bill being pushed by outside interests with no developed Kansas connection?* **YES.** And in contrast, Kansas’ electric cooperatives serve 103 counties. While a few business owners have expressed interest in added information, those requests are few and far between. Those infrequent requests can be addressed by communication with the local cooperative. There has not been a widespread request from cooperative membership for the type of information this bill would require.
- *Is this bill about transparency, consumer information or about something else?* **IT’S ABOUT SOMETHING ELSE.** Several proponents simply want to sell electricity in a retail choice scheme. There are sub questions to that motive. Will they serve Kansans as well as they are currently being served? Will they pay Kansas taxes? Will they stay in Kansas when times change and pricing is not favorable? Or, as has happened in other states, will they pull out and leave Kansans in the lurch and incumbent cooperatives holding the bag? Please read the article on the failed Montana experience with retail choice, attached to this testimony.<sup>i</sup>
- *Is this bill a tool to move toward retail choice, a concept that has not proven significant benefits to any class of consumer except large industry?* **YES.** Proponents of retail choice concepts often tout a transition to unbundled bills as the first step in a movement to push retail choice into a state—a concept that has not, over the past 20 years, proved to be very successful.<sup>ii</sup> Even the fiscal note for this bill indicates a connection between this bill and another bill that has been introduced to move Kansas toward retail choice. Further, the Southwest Power Pool’s integrated market is already delivering a market price for the commodity of electricity.
- *Let’s talk about rates—aren’t they increasing?* **YES, BUT THE INCREASES ARE PROPORTIONAL ACROSS THE REGION** while the actual energy cost has stabilized and may be dropping due to the SPP integrated market.

Proponents of retail wheeling will argue that Kansas has experienced a 35% increase in electric rates from 2008 to 2014, the fourth largest increase in the country.



This statement, however, doesn't describe the complete picture, not unlike the deceptive advertising practices used by energy brokers in the free-for-all Texas energy market. <sup>iii</sup>

The reality is that while many states saw price increases from 2000 to 2008, Kansans' rates remained fairly steady during this period. This resulted in our ranking falling to 31, with one representing the highest electric rates. Kansas rates did rise from 2008 through 2014 at which time we returned to our previous level...just under the national average. In fact, since 1990, Kansas rates have increased an average of 1.8% per year compared to the national average of 1.9% per year.



Retail choice opens up only part of the retail bill to the marketplace. Much of a consumer's bill covers the costs of transmission, distribution, metering and other customer-related costs. These other services and charges would continue to be provided and billed by the incumbent retail electric supplier. Speaking of transmission, this area is one of the fastest growing expenses for electric cooperatives in the last couple of years which is highly correlated to the expansion of wind projects in the state.

- *Is this going to add cost to cooperative electric service?* **YES.** Not one of these changes happens in a vacuum—there is and will be initial and on-going costs. Most cooperatives will pay a minimum of \$15,000 for bill reconstruction. That figure, when multiplied by our 28 member cooperatives, is a cost to members of over \$420,000. Add to that costs of expanded customer service staffing, training, and communication to explain the who, what, how and why of the new billing format and information.
- *Is this, as some proponents claim, just like telephone and cell phone bills?* **MAYBE. But is that a good thing?** Do you want constituents to get a more complicated, multi-page electric bill with detail that is not of great assistance?

In the cooperative world, local control and governance has a long history of addressing problems, issues and concerns as they arose. This bill presupposes that the cooperative model will not function to do exactly what is needed to meet members' needs in the future. It imposes a state mandate and big government where none is needed. We urge you not to pass SB 209 and to reject this foray into retail choice concepts in Kansas.

I will be happy to stand for questions at the appropriate time.

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<sup>i</sup> *Didn't we learn anything from deregulation?* Energy Central; March 8, 2017; Ken Toole; downloaded from [http://www.energycentral.com/news/didnt-we-learn-anything-deregulation?utm\\_medium=eNL&utm\\_campaign=DAILY\\_NEWS&utm\\_content=11668&utm\\_source=2017\\_03\\_09](http://www.energycentral.com/news/didnt-we-learn-anything-deregulation?utm_medium=eNL&utm_campaign=DAILY_NEWS&utm_content=11668&utm_source=2017_03_09) on March 10, 2017

<sup>ii</sup> See among others, the following studies: Christensen and Associates, *Retail Choice in Electricity: What Have We Learned in 20 Years?* February 11, 2016; Energy Institute at HAAS: *the US Electricity Industry after 20 Years of Restructuring*; May 2015; American University, Ralph Sonenshine; *Effect of Utility Deregulation and Mergers on Consumer Welfare*, American University Working Paper Series.

III. See attached article: Dallas News, *Watchdog: Don't let phony 1-cent electricity plans and knockoff websites fool you*; February 2016. Downloaded from <sup>iii</sup><http://www.dallasnews.com/news/watchdog/2016/02/05/watchdog-dont-let-phony-1-cent-electricity-plans-and-knockoff-websites-fool-you> on March 13, 2017.

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# Didn't we learn anything from deregulation?

- March 8, 2017

Source:

The Bozeman Daily Chronicle

Today is the 20th anniversary of the bill which deregulated electricity in Montana. Sen.

Fred Thomas, a Republican insurance salesman from Stevensville, introduced the bill promising customer choice, lower rates, and better service. The Racicot administration built a coalition of large corporations and political interest groups to make electric deregulation happen. And it did.

Fred Thomas promised, "There has not been an industry that has been deregulated or restructured where the prices have not gone down." He guided the bill through the Republican-controlled Legislature despite opposition from consumer groups, senior citizens, conservation organizations, organized labor and Democratic legislative leadership. The bill passed and was signed by Gov. Marc Racicot. Montana began an economic experiment which turned out to be the biggest financial disaster in our history.

For decades, the Montana Power Company served Montanans providing safe, reliable and affordable electricity. We enjoyed some of the lowest power rates in the country. Montana Power was a strong company providing good service with a reliable return for its stockholders.

Deregulating the electricity market did not turn out as planned. The dams and coal plants that provided our electricity were sold to Pennsylvania Power. The lines and wires were sold to a South Dakota-based company, NorthWestern Energy. Montana Power put all that money into a communications company, which went broke, taking the pensions of Montana Power workers and stockholders' investments with it. Pennsylvania Power made a fortune selling power on the "open market." NorthWestern Energy entered bankruptcy proceedings. Montana customers began paying more and more for electricity.

As our power rates increased, people, even politicians, began to agree electric deregulation had been a huge mistake. We began to rebuild the kind of regulated company Montana Power had been in the old days. We changed the law and allowed the now restructured NorthWestern Energy to buy back Colstrip 4, a dirty and antiquated coal plant in eastern Montana, at an inflated price. NorthWestern also bought back the hydro-electric system from Pennsylvania Power, again at a greatly inflated price. And, of course, it is the consumers who pay those costs.

It is a good thing that we are back where we were before electric deregulation. We now have a power company that provides power generation, distribution and related services. That company is regulated by the Public Service Commission, which assures rates are just and reasonable and the company owners get a reasonable return on their investments. Too bad it cost us so much and it took so long.

Twenty years later

Fred Thomas is back as the majority leader in the Montana Senate and still looking for ways to gut regulations. Now he's working to "reform" our health care system.

Marc Racicot left Montana for a lucrative career lobbying for insurance companies and dancing around with various national Republican officials and organizations. Montana Power executives scattered to the wind. Some of them managed to sell their stock before the company hit the wall. Imagine that!

But here's the rub: We haven't learned much. It's easy to think the deregulation mess was a simple matter of corporate greed and incompetence. And it's true there was plenty of that. But, with rare exceptions, the political leaders of the state had very little to gain. They supported the bill because they were true believers. The stone tablets carried by these faithful followers say, "Thou shall deregulate, privatize and cut taxes." You can use it in TV ads and brochures. It's great for making you sound like you know what you are talking about. Too bad it is so often wrong.

Ken Toole

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# Watchdog: Don't let phony 1-cent electricity plans and knockoff websites fool you

FILED UNDER

AT FEB 2016

Written by



*Dave Lieber, The Dallas Morning News*

Such as TXU Energy and some energy brokers are gaming the state's all-important PowertoChoose.org website by creating similarly named websites that may fool customers.

How? They use the words “power to choose” in their web addresses, in their website names and in the descriptions of their websites with language such as “you have the power to choose your electricity plan.”

They also buy Google ads using those powerful three words — *power to choose*. The ads often appear above the state's official website in Google search results.

The official powertochoose.org is the state's listing of electricity plans available to those not in electric co-ops. For Dallas-area ZIP codes, powertochoose lists about 340 plans from 50 or so electricity companies.

Consumers should use powertochoose.org over a knockoff site, which may offer limited choices from partner electricity retailers. Electricity brokers who advise residential and business customers on plans get paid a commission for new customers they bring in through their sites.

## Meet the best

The king of the knockoffs is SaveOnEnergy.com, a Dallas-based broker that usually comes up high in Google searches with several sites along with ads using “power to choose.” (The Google price for a single pay-per-click ad for those three words hovers around an expensive \$9.36.)

SaveOnEnergy hosts powertochooseTX.com and powertochooseTX.org, among many others.

SaveOnEnergy President Brent Moore explains: “I just think the powertochoose site itself has gotten confusing and somewhat misleading. The retailers game the system by putting these low teaser offers out there.”

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ComparePower.com is another broker that uses the three words effectively to come up high in search results.

Owner Brad Gregory says, “People know the phrase, I suppose. ... We’re not out to trick anyone. I want to make that clear.”

His company’s site title is listed as “Power to Choose — Shop Electricity Plans for the Best...”

## **Innocents sucked in**

Erich Friend of Fort Worth alerted The Watchdog. He says, “Innocent Web surfers can get sucked into paying higher electric rates thinking they have found the state of Texas’ official site.”

He accurately adds, “All legal, but highly unscrupulous.”

The knockoff sites don’t pretend to be the state’s official site. Nor do many of them specifically say they are not the state’s page. They should, along with providing a correct link to [powertochoose.org](http://powertochoose.org).

That could happen if state lawmakers pass a law requiring it, or if the Public Utility Commission of Texas passes a rule.

For now, the PUC is “somewhat concerned,” spokesman Terry Hadley says. “It’s something we look at, but it’s not anything that we see as an outright violation of our rules.”

To the Watchdog, this permissiveness is one more example of the deceptive and unfair electricity shopping system foisted on us by our leaders.

Let’s recap. In the 2015 Legislature, I pushed for a bill that would regulate electricity door-to-door sales, force [powertochoose.org](http://powertochoose.org) to list prices in an apples-to-apples comparison, ban minimum usage penalties and regulate disconnection and other fees.

I called my proposals “The Electricity Retail Reform Act of 2015.” Parts were introduced, but nothing happened.

Since then, the consumers’ top advocate for electricity fairness in Texas has left the Legislature. Congrats on your election, new Houston Mayor Sylvester Turner. But who will lead the movement in the Statehouse?

## **A 1-cent fiasco**

The latest example of duplicity is that the real [powertochoose](http://powertochoose.org) lists rates from unknown companies for as low as 1 cent a kilowatt-hour. Remember, most of us pay 6-10 cents a kWh.

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One cent? When you read the fine print, you find a confusing jumble of clauses and restrictions that are incomprehensible. Nobody is paying 1 cent for electricity.

But those are the top listings now on powertochoose. That's an enticement to lure consumers. Some will follow the trail of confusing details. Others won't.

That's if they even make it to the correct powertochoose.

They could end up at [txu.com/plans-offers/you-have-the-power-to-choose](http://txu.com/plans-offers/you-have-the-power-to-choose). Slick, huh?

TXU spokesman Michael Patterson says, "Every aspect of our site and online presence is transparent, straightforward and helpful for electricity consumers in Texas. Everything is clearly branded so there can be no mistake that the content belongs to TXU Energy."

He adds, "We don't condone retailers or aggregators that mimic or appear to be PUC-approved websites."

ChooseEnergy is a broker that sells for TXU Energy and other companies. CEO Kerry Cooper says low teaser rates are a trick.

A 1-cent rate sends a message: "Let me get you engaged in this and hope you won't notice," she says.

"It's ripe for confusion. It does the whole industry a disservice."

Her company's website is called "Power to Choose in Texas."

Cooper says she agrees with some of The Watchdog's plans to fix the industry.

So does Carol Biedrzycki, head of Texas ROSE, a leading ratepayers association.

"It is deceptive for a business to appear to be associated with a publicly supported website when it is not," she says. "If this is legal, then the laws should be changed."

If you agree, send me your email so we can stay in touch on this.

Phony 1-cent offers and knockoff websites need to go away.

*Staff writer Marina Trahan Martinez contributed to this report.*



Bill Date: 02/13/2017

Account:

Previous Balance \$ 194.16  
 Payments Received \$ -194.16  
 Adjustments/Penalties \$ 0.00  
**BALANCE DUE IMMEDIATELY \$ 0.00**  
 Total Current Charges \$ 128.55  
 Due on or Before 03/05/2017

0000172880010000001285500000128559

**DRAFTED - DO NOT PAY \$ 128.55**

HAYS KS 67601



Western Cooperative Electric  
 P.O. Box 278  
 635 South 13th Street  
 WaKeeney, KS 67672



Western Cooperative Electric Assn., Inc.  
 PO Box 278  
 635 S 13th St.  
 WaKeeney, KS 67672

Customer Service  
 (785) 743-5561  
 (800) 456-6720  
 western@westerncoop.com

To View or Pay Your Bill Online please visit [www.westerncoop.com](http://www.westerncoop.com)  
 Through this site you can also enroll in:

- Outage Texting
- Western Cares (a program to provide aid to members in need)
- Budget Billing
- Automatic Bankdraft
- Automatic Recurring Debit or Credit Card Payments

To Report an Outage please call us at the Customer Service numbers provided above or utilize our Outage Texting program.

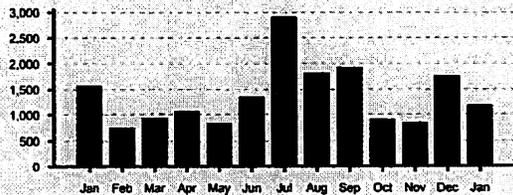
Visit us on Facebook for timely updates and current information:  
 Western Cooperative Electric Assn., Inc.

Bill Date: 02/13/2017

**AMOUNT WILL BE DRAFTED ON 03/05/2017 - DO NOT PAY \$ 128.55**

Account Number	Sub	Meter Number	Rate	Days	Service Dates From	To	Meter Readings Prev	Pres	Mult	kWh Usage
001	1		101	31	12/31/2016	01/31/2017	362	1548	1	1186

Monthly Usage History



**Current Charges & Adjustments**

Previous Balance 194.16  
 Payments -194.16  
 Customer Charge 10.00  
 Energy 1186.00 KWH @ .0968 114.80  
 ECA 1186.00 KWH @ .002626 3.11  
 Ellis County Tax 0.64  
**Total Current Charges 128.55**  
**AMOUNT WILL BE DRAFTED ON 03/05/2017 128.55**

RADIANT ELECTRIC COOP., INC.  
 100 N 15 BOX 390 TEL 316 378-2161  
 FREDONIA, KS. 66736

5  
 CO 4 12 30 1  
 # 6 00027  
 10  
 PRE-SORTED FC  
 6.00

SERVICE TO 11/01/92

LAST READING	27	-PREVIOUS READING	27
KWH USED	0	RATE CL	10
		CURRENT CHARGES	6.00

334629

EQUITY & SERVICE NO.	CODE	OTHER CHGS. OR CR.
2150114 12A 363		
METER		
6		
POWER COST FACTOR		
.00000000		
MULTIPLIER		
K.W. DEMAND		
Sub Total		6.00
OPERATION ROUNDUP	99	.00
PAYMENT MUST BE RECEIVED BY		6.00
OR DELINQUENT CHARGES APPLY		
*SEE REVERSE SIDE		<b>TOTAL</b>

KENNETH  
 S MAIN  
 KS  
 213  
 ENTER  
 12/01/92  
 READING HERE

AMOUNT DUE 6.00  
 AFTER 12/28/92 PAY 6.12  
 PLEASE RETURN THIS STUB WITH REMITTANCE